Calendar No. 752

100TH CONGRESS *2d Session*	SENATE	REPORT 100-393

THE STEWART B. McKINNEY HOMELESS ASSISTANCE AMENDMENTS OF 1988

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 2554

JUNE 22, 1988.—Ordered to be printed

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CONTENTS

	Page
Introduction	1
Legislative history of the act	1
Explanation of the legislation	2
Title I--Authorization levels	2
Title II—Administrative provisions	3
Title III—Emergency shelter grants	4
Title IV—Supportive housing	7
Title V—Miscellaneous provisions	9
Title VI—Technical amendments	10
Section-by-section analysis	10
Regulatory impact statement	15
Changes in existing law	15
Cost of legislation	15

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Mr. PROXMIRE, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

[To accompany S. 2554]

INTRODUCTION

The Committee on Banking, Housing, and Urban Affairs, having considered the same, reports favorably a Committee bill to reauthorize the housing programs contained in McKinney Homeless Assistance Act.

LEGISLATIVE HISTORY OF THE ACT

The Committee on Banking, Housing, and Urban Affairs has reported favorably the Stewart B. McKinney Homeless Assistance Amendments of 1988. The full Committee met on May 24, 1988, to mark up the legislation and ordered the bill favorably reported without objection.

The legislation provides a two-year reauthorization of the homeless housing programs at the aggregate fiscal 1988 level of $280 million. The legislation also contains several refinements to existing law to make the homeless housing programs more flexible and effective at the local level. These refinements were suggested by HUD, various national organizations, local service providers and other interested parties.

Less than a year ago, Congress enacted the Stewart B. McKinney Homeless Assistance Act, the first comprehensive legislative effort to address the rising number of homeless individuals and families in this Nation. Since that time, many states, localities and private organizations have been able to help homeless people with funds authorized under the McKinney Act. They have established emer-

gency shelters. They have created supportive housing facilities that help individuals and families make the transition to independent living. They have rehabilitated single room occupancy (SRO) dwellings for use as permanent housing.

Yet, the McKinney Act marked the beginning, not the end, of the federal response to homelessness. The evidence from the first year of program operation demonstrates how far we still have to go.

Demand has far exceeded the funds appropriated for the homeless housing programs—which were far below the authorization levels for both fiscal years 1987 and 1988. For example, HUD was able to fund only 19 of 141 applications received for the Section 8 SRO program and only 39 of the 250 applications received for the Supplemental Assistance program.

This funding shortfall occurs at the same time when key indicators show that need is increasing. Last December, the United States Conference of Mayors reported that 65 percent of the 26 cities surveyed are routinely turning away homeless people from emergency shelter programs because of a lack of beds or space. The surveyed cities reported an average increase of 21 percent in the demand for emergency shelter during 1987. Kansas City reported the highest increase, 44 percent. It was followed by Philadelphia with 40 percent, San Juan with 35 percent, Providence with 30 percent, Los Angeles, San Francisco and Seattle with 25 percent and Charleston and Nashville with 23 percent.

Clearly homelessness, like the absence of affordable housing in general, is a national problem demanding a sustained federal response. While reauthorization of the McKinney programs is a necessary step. The Congress also needs to develop a more comprehensive strategy to provide decent affordable housing for all with a new national housing policy for the 1990's. The Committee is fully engaged in efforts to formulate such a policy and expects to move forward with hearings and legislation through the remainder of this Congress.

Explanation of the Legislation

Title I—Authorization Levels

The Committee Bill would provide a 2-year reauthorization, continuing McKinney homeless housing programs through fiscal year 1990 at the aggregate current funding level of $280 million. The Bill would, however, slightly alter the authorization levels for individual programs by shifting $15 million from the Supplemental Assistance Program to the Section 8 Single Room Occupancy (SRO) program. The authorization breakdown would be as follows:

ANNUAL BREAKDOWN, FISCAL YEARS 1989–90

[Dollars in millions]

Program	Budget authority
Emergency Shelter Grants	$120
Supportive Housing	100
Supplemental Assistance	10

ANNUAL BREAKDOWN, FISCAL YEARS 1989–90—Continued

[Dollars in millions]

Program	Budget authority
Section 8 Single Room Occupancy (SRO)	50
Total	280

The Section 8 SRO program has proven to be a highly effective and expeditious vehicle for providing permanent housing for the homeless.

During the first year, applicants applied for ten times more funding than was available. HUD awarded 19 grants totalling approximately 1,000 units for the $35 million in budget authority. All told, 141 applicants submitted requests for $419 million in budget authority to rehabilitate 11,500 units. The demand for program funds is particularly striking since HUD stopped taking applications only 3 weeks after the Notice of Funding Availability was published in the Federal Register.

Preliminary results from the program have been encouraging. Although funds were not awarded until December 1987, one project has already been completely rehabilitated and occupied; HUD expects rehabilitation work on all projects to be completed by July 1988. By awarding funds to PHAs experienced in the business of acquisition and rehabilitation, the program delivers services efficiently.

TITLE II—ADMINISTRATIVE PROVISIONS

Comprehensive plan sharing

The Committee bill would require states and localities to share information copies of their respective Comprehensive Homeless Assistance Plans (CHAPs) when such CHAPs are submitted to HUD. Under existing law, states and entitlement communities submit CHAPs, independently and are under no obligation to share their CHAPs. The Committee believes that the sharing of CHAPs will help improve the coordination of resources without resulting in any significant administrative burden.

Annual submission of revised comprehensive plan

The Committee bill would require states and entitlement communities to submit CHAPs on an annual basis. The bill would also require such entities to include in their annual submissions their responses to recommendations HUD has made at least two months before the beginning of the fiscal year. States and entitlement communities would be required to respond only to HUD recommendations received in a timely manner. The intent of this provision is to encourage conformance with national policy in a way that does not subject local homeless assistance programs to additional administrative delays.

Existing law requires each state and entitlement community to review annually its progress in carrying out its CHAP. HUD, in turn, reviews the progress reports and makes appropriate recom-

mendations. The law does not require the annual submission of CHAPs nor the submission of updates. The Committee believes that the process of CHAP submission and progress review should be a dynamic one so that lessons gained from program operation can influence future planning.

Coordination

The Committee Bill would provide federal recognition of lead agencies designated by Governors to coordinate homeless assistance efforts. The Committee recognizes that many states have taken such action. The provision is intended to help such lead agencies perform effectively by requiring the federal government to provide such information as is necessary to facilitate coordination efforts.

Religious providers

The Committee Bill would allow religious organizations to receive federal homeless assistance directly for the purpose of shelter rehabilitation under certain conditions. The extent to which McKinney Act funding can be delivered through religious providers has been a persistent matter of contention between the Administration and most supporters of federal homeless assistance in Congress and around the nation. The Committee believes that the provision would allow religious organizations and organizations with religious affiliations to receive funding under the federal homeless assistance programs in conformance with constitutional prescriptions on the separation of church and state.

TITLE III—EMERGENCY SHELTER GRANTS

Environmental impact and historic preservation

The Committee Bill would delegate to states and localities the authority to evaluate compliance with historic preservation and environmental protection statutes. Such a statutory delegation of authority has already been made under the Community Development Block Grant program. The Committee believes that the states and localities are well able to ensure compliance with these requirements in an expeditious manner.

Direct contracting with nonprofit organizations

The Committee Bill would permit states to contract directly with nonprofit organizations but only if the local government indicates its support for the given project.

Under the existing ESG program, states are required to contract with local governments which, in turn, may contract with nonprofit organizations. The Committee believes that the limitation has impaired program operation in two significant ways.

First, the "three-step contracting" requirement has caused delays and administrative burden, particularly in smaller cities and towns where government boards with contracting authority meet sporadically.

Second, many states have shelter assistance programs that predate the ESG program and provide for direct contracting between the state and shelter operator; the ESG program, therefore, has required the establishment of two parallel administrative systems.

Essential services

The Committee Bill would raise the limit on funding for essential services from 15 percent to 25 percent. The bill would measure the compliance of State and local governments with this limitation at the aggregate level, rather than at the project level. The Committee hopes that raising the limitation to 25 percent and allowing states and local governments to comply with the limitation on an aggregate basis will provide local actors with sufficient flexibility to address their homeless needs.

The Committee Bill would also permit use of ESG funds for essential services to complement existing local support for these services. Existing law prohibits grantees from using any ESG funds for essential services unless the local government has not provided any of these services in the immediately preceding 12 month period. This prohibition has the unintended effect of discouraging local governments from exploring ways to break the cycle of overnight shelter living. For example, many localities have established facilities that either (1) serve as mixed use facilities (i.e. emergency shelters and supportive housing) or (2) serve as emergency shelters where some basic social services are being provided to residents. Program experience indicates that the provision of essential services—whether in a mixed-use or emergency shelter facility—has successfully enabled shelter residents to "graduate" into a supportive housing environment.

Homeless prevention as an eligible activity

The Committee Bill would make homeless prevention an eligible activity under the ESG program. The McKinney Act has been criticized for its neglect of the "at-risk" homeless population. The argument for prevention is compelling: catching a family before it falls into homelessness is probably more cost-effective and certainly less disruptive than serving the family's needs after they become displaced. Prevention efforts have had practical success in various parts of the country and should be replicated more widely.

States and localities have instituted a wide array of homeless prevention efforts. Some, for example, provide short-term subsidies to help defray rent and utility arrearages for families faced with eviction or termination of utility services. Others provide the funds with which homeless families can move into their own apartments: namely, security deposits and first month's rent.

Finally, some states and localities have programs that either provide mediation services for landlord-tenant disputes or legal representation to indigent tenants in eviction proceedings. From all indications, an expansion of these efforts is clearly justified by the overwhelming national need to prevent homelessness before it occurs.

Because the Committee believes that states and localities should have a great degree of flexibility in using ESG funds for homeless prevention efforts, the Committee bill intentionally does not define the activities that would qualify as "homeless prevention."

The Committee has, however, placed two constraints on the implementation of the provision.

The first constraint governs what would be the most likely prevention activity selected by states and localities: the provision of short-term financial assistance to families who have received a notice of eviction or termination of utility services. The provision permits such assistance only if (1) the inability of the family to make rental or utility payments is due to a sudden reduction in income; (2) the assistance is necessary to avoid the eviction or termination of utility services; and (3) there is a reasonable prospect that the family will be able to resume the payments within a reasonable period of time. The Committee intends that if an application process is used for the distribution of homeless prevention monies, steps will be taken to prevent families from being evicted while their applications are pending.

The second constraint establishes minimal criteria, implemented through grantee certification, which all homeless prevention activities must satisfy. Grantees implementing homeless prevention efforts would need to certify to HUD that such efforts (1) have a demonstrable link to the prevention of imminent homelessness; (2) constitute the most effective use of all or part of their ESG allocation and (3) do not supplant any funding for pre-existing homelessness prevention activity.

To ensure that this provision aids the Congress in development of more effective homeless prevention legislation, HUD would be required to report back to Congress on the various activities undertaken by grantees. HUD is directed to give particular attention in such report to the different methods employed by grantees to determine eligibility for prevention funds.

Responsibilities of recipients

The Committee Bill would amend the requirements that govern how long recipients of ESG grants must agree to operate homeless shelters. Existing law requires that any building for which ESG grants are used must be maintained as a shelter for the homeless for not less than a 3 year period or for not less than 10 years if the ESG assistance is used for major rehabilitation or conversion of the building.

The 3 year requirement has been applied by HUD even in cases where recipients used ESG assistance only to cover the operating costs of a shelter. That interpretation has impeded the search for buildings suitable for shelters. Shelter operators find it particularly difficult to convince landlords to agree to long-term leases when no funds are used to repair or improve the building. In addition, the interpretation has caused problems for shelter operators that wish to move their shelters before the 3-year period has run.

The Committee solution, in the case of a recipient that uses ESG assistance only to cover operation and maintenance costs, would require operation of a homeless shelter for the length of time specified in the contract executed with the state or local government. Shelter providers will not be tied, therefore, to a particular facility or structure in carrying out their agreement to operate a homeless shelter.

The Bill would also require recipients that use ESG assistance for rehabilitation activities to agree to operate a homeless shelter

in the rehabilitated facility for 5 years unless the Secretary determines that the value of the rehabilitation justifies a longer term.

TITLE IV—SUPPORTIVE HOUSING

Project sponsor

The Committee Bill would expand the definition of project sponsor for the Permanent Housing program to include public housing authorities. By technical omission, only nonprofit organizations are currently allowed to be project sponsors under the Permanent Housing program. This limitation has inadvertently excluded public housing authorities, some of whom have direct experience in developing small, community-based residences for handicapped individuals.

Definition of permanent housing

The Committee Bill would give the Secretary the authority to waive the 8 person limit contained in the definition of Permanent Housing where the applicant demonstrates that (1) local market conditions and economies of scale dictate the development of a larger project and (2) such development will still achieve the neighborhood integration objectives of the program. The 8-person limitation is designed to ensure that the program spurs the development of non-institutional residences that are well integrated within neighborhoods and communities. Yet, discussions with representatives of states, localities and service providers indicate that the limitation poses a significant obstacle to project development in dense urban areas. The Committee believes that the proposed amendment provides a workable compromise.

The Committee Bill would also clarify that, where units are to be added to an existing facility, existing units will not be counted for purposes of the limit if the facility meets neighborhood integration objectives. Again, the critical issue for review is whether the underlying goals of the program are achieved, not whether a necessarily arbitrary proxy for such goals is satisfied.

Limit on advances

The Committee Bill would allow the Secretary to increase the Supportive Housing limit for acquisition and/or substantial rehabilitation from $200,000 to $400,000 where the Secretary finds that high costs in a locality justify such an increase.

The acquisition and rehabilitation limits in the Supportive Housing title have created difficulties for localities with high acquisition and rehabilitation costs. In the first year of program operation, 84 percent of the Supportive Housing funds were used for operating assistance. It appears that the present limits are preventing funds from being used to supplement the nation's stock of supportive housing.

Site control

The Committee Bill would ease site control requirements to allow Supportive Housing applicants in the process of site acquisition to submit applications and would allow HUD to use site control as a criterion for the evaluation of applications. The present

requirement of site control prior to the submission of applications was imposed by HUD regulation rather than statute and has caused inordinate difficulty for potential applicants.

The Committee believes that the amendment will allow innovative applications to be considered and ensure that obligated funds will be spent expeditiously.

Letter of participation

The Committee Bill would require the "State" rather than the "Governor" to meet certain requirements established by the Permanent Housing program. Existing law, for example, requires applications for Permanent Housing to include a letter of participation signed by the "Governor". In practice, this requirement hinders the Act's objective of state and local flexibility and has proven to be overly restrictive. The Committee notes that the same amendment was made to a similar CDBG provision in the 1987 Housing Act.

Matching requirements

The Committee Bill would make the matching requirements for Transitional Housing and Permanent Housing consistent by allowing each recipient to supplement the housing assistance with an equal amount of funds from non-federal sources. Existing law establishes different matching requirements for the two types of Supportive Housing: Transitional Housing and Permanent Housing for the Handicaped Homeless. Under Transitional Housing, matching from non-McKinney Act "sources" is allowed; under Permanent Housing, only matching by local and state governments is allowed.

Whatever the theoretical bases for these differences, the practical outcome is bureaucratic confusion and complexity. The problem has been particularly intense in the Permanent Housing program. State and local governments argue that it is difficult (1) to coordinate their routine budgetary cycles with the schedules for a national competition and (2) to appropriate funds in anticipation of a grant award which may or may not occur. The amendment would end the confusion by establishing the same matching requirements for both Transitional Housing and Permanent Housing.

The Committee Bill would also expand on the definition of funding that qualifies as a non-federal match. The Committee intends that HUD not implement this requirement in a restrictive fashion. In particular, the Committee believes that the non-federal share of funds under other federal programs that might be used in conjunction with the Supportive Housing program should be counted for purposes of satisfying the match requirements.

Eligible activities for permanent housing

The Committee Bill would clarify that recipients can receive both advances and grants for moderate rehabilitation under the Permanent Housing for the Handicapped Homeless Program. Under existing law, three types of activities are eligible for funding under the Permanent Housing program: (1) advances for acquisition or rehabilitation; (2) grants for moderate rehabilitation; and (3) technical assistance. HUD regulations allow either advances or

grants for moderate rehabilitation but not both. That interpretation is an erroneous interpretation of Congressional intent.

The Committee Bill would also allow recipients to receive up to 50 percent of the annual payments for operating costs for the first year of operation and up to 25 percent of the operating costs for the second year of operation. Unlike Transitional Housing, Permanent Housing recipients cannot presently receive any assistance to cover operating costs. The 1987 Conference Committee on the McKinney Act believed that the main factor impeding the development of community-based housing for handicapped homeless persons was a lack of funds for acquisition and rehabilitation activities. The Committee now believes that federal assistance should be available to cover operating expenses during the critical start-up period.

Reallocation process

The Committee Bill would establish a reallocation process for unobligated Supportive Housing funds. The Committee believes that homeless housing monies are emergency monies and should be obligated as expeditiously as possible. Funds for a particular Supportive Housing activity that are not fully obligated in any given fiscal year should be reallocated under the Supportive Housing or Section 8 SRO subtitles rather than carried over to the next fiscal year.

TITLE V—MISCELLANEOUS PROVISIONS

Rehabilitation of efficiency units

The Committee Bill would allow recipients of funds under the Section 8 SRO program to rehabilitate "zero bedroom" units (efficiencies) only if the recipient agrees to bear any additional cost incurred by rehabilitating and operating such units. HUD regulations define SRO housing as housing that does not contain "food preparation and/or sanitary facilities" in individual rooms. 24 C.F.R. 882.402. This prohibition places limits on the types of buildings that can be renovated with SRO funds as well as on the types of living environments that can be created. In the interests of inducing greater program flexibility, the Committee believes that recipients should be allowed to use SRO funds to rehabilitate efficiency units that contain kitchen or bathroom facilities if the additional costs associated with these amenities are borne by the recipient.

Fire and safety improvements

The Committee Bill would define the term "major spaces" for purposes of the requirements that facilities renovated under the Section 8 SRO program include sprinkler systems in such areas. The Committee learned that there was some confusion as to whether Congress intended the term "major spaces" to include individual rooms in an SRO facility. The Bill would clarify the Congressional intent that the term "major spaces" signifies common areas and hallways of an SRO facility and other areas as required by local fire, building and safety codes.

Report on allocation formulae

The Committee Bill would direct the Secretary to conduct a study examining whether an allocation formula can be developed that uses homeless population as the statistical base. Funds for the USG program, for example, are currently distributed pursuant to the allocation formula used in the CDBG program. The CDBG program uses a variety of factors to arrive at its allocation formula, some arguably not related to homeless population. The formula may, therefore, not provide a true reflection of homeless need in the nation. The performance of the ESG program—and that of any future homeless-related program that relies on formula distribution—would be significantly improved with the development of a highly targeted allocation formula.

TITLE VI—TECHNICAL AMENDMENTS

Rural housing prepayment

The Committee Bill would tighten the definition of non-profit organizations that are eligible to purchase Section 515 projects subject to prepayment. The Committee is concerned by reports that, under the general language contained in the current definition, a few for-profit owners of Section 515 projects may be moving to form non-profit organizations for purposes of purchasing their own projects with federal assistance under the Housing and Community Development Act of 1987. The Committee believes that such actions might (1) lead to less than arms—length transaction, potentially providing a greater gain to individual owners than deserved and (2) create an appearance of impropriety that would reflect poorly on the Farmers Home housing programs in general and the prepayment provisions in specific.

SECTION-BY-SECTION ANALYSIS

TITLE I—AUTHORIZATIONS

Section 101—Emergency Shelter Grants Program authorization

This section would authorize the Emergency Shelter Grants Program at $120 million for each of the fiscal years 1989 and 1990.

Section 102—Supportive housing authorization

This section would authorize the Supportive Housing Program at $100 million for each for the fiscal years 1989 and 1990.

Section 103—Supplemental assistance authorization

This section would authorize the Supplemental Assistance for Facilities to Assist the Homeless Program at $10 million for each of the fiscal years 1989 and 1990.

Section 104—Section 8 SRO authorization

This section would authorize the Section 8 SRO program at $50 million for each of the fiscal years 1989 and 1990.

TITLE II—ADMINISTRATIVE PROVISIONS

Section 201—Comprehensive plan (CHAP) sharing

This section would require states and localities to share copies of their respective CHAPs with each other for information purposes when such CHAPs are submitted to HUD.

Section 202—Annual submission of revised comprehensive plan

This section would require states and entitlement communities to (1) submit CHAPs on an annual basis and (2) include in such annual submissions a response to HUD recommendations that are made available at least two months before the beginning of the fiscal year.

Section 203—Drug-free homeless assistance

This section would require CHAPs to include a certification that each recipient and project sponsor shall take all necessary actions to ensure that facilities receiving assistance under the homeless housing program are free of illegal drug use and alcohol abuse and that beneficiaries of such assistance shall have the right to be served in a drug-free and alcohol-free environment.

Section 204—Coordination

This section would support the decision of a Governor to designate in the CHAP a state lead agency to coordinate homeless assistance efforts within the state, including those efforts funded under the McKinney Act. Upon designation of a state lead agency, the Federal Government would be required to provide such information to the lead agency as is necessary to facilitate the agency's coordination activities.

Section 205—Administration provisions

This section would allow religious organziations to receive homeless assistance funds directly for the purpose of rehabiliation activities. In exchange for direct funding, the section would require the religious-owned property (or portion of a property) to be dedicated solely to secular public purposes.

This section would also require that, if the secular public purpose dedication is terminated, through sale or otherwise, the unamortized value of the assisted rehabilitation (plus accrued interest) would have to be repaid to HUD.

Section 206—Sunshine provision

This section would require that the books, documents, papers and records of recipients of homeless assistance under Title III of the McKinney Act (FEMA) be made available for public inspection and copying.

TITLE III—EMERGENCY SHELTER GRANTS

Section 301—Environmental impact and historic preservation

This section would delegate to states and localities the authority to evaluate compliance with historic preservation and environmental protection statutes.

Section 302—Direct contracting with nonprofit organizations

This section would permit states to contract directly with a nonprofit organization only if the local government presents a letter of certification indicating its support of the organization's project.

Section 303—Funding for essential services

This section would (1) increase the limit on funding for essential services to 25 percent; (2) measure the compliance of State and local governments with this limitation at the aggregate level rather than at the project level; and (3) allow grantees to use ESG funds for essential services where such use would complement existing local support for such services.

Section 304—Homeless prevention as eligible activity

Subsection (a) would make homeless prevention an eligible activity under the ESG program. Homeless prevention efforts would be defined as including but not limited to the provision of financial assistance to families who have received a notice of eviction or termination of utility services. The provision of such assistance could be made if (1) the inability of the family to make rental or utility payments is due to a sudden reduction in income; (2) the assistance is necessary to avoid the eviction or termination of utility services; and (3) there is a reasonable prospect that the family will be able to resume the payments within a reasonable period of time.

Subsection (b) would require grantees implementing homeless prevention efforts to certify to HUD that such efforts (1) have a demonstrable link to the prevention of imminent homelessness; (2) constitute the most effective use of all or part of their ESG allocation and (3) do not supplant any funding for existing homeless prevention activities.

Subsection (c) would require HUD to report back to Congress on the various homeless prevention efforts implemented by grantees with particular focus on the different methods employed by grantees to determine eligibility for prevention funds.

Section 305—Responsibilities of recipients

This section would clarify that a recipient that uses ESG assistance only to cover operation and maintenance costs will be required to operate a homeless shelter for the length of time specified in the contract or grant agreement executed with the state or local government.

This section would also require a recipient that uses ESG assistance for rehabilitation activities to agree to operate a homeless shelter in the rehabilitated facility for 5 years unless the Secretary determines that the value of the rehabilitation justifies a longer term.

TITLE IV—SUPPORTIVE HOUSING

Section 401—Project sponsor

This section would expand the definition of project sponsor for the Permanent Housing program to include public housing authorities.

Section 402—Definition of permanent housing

This section would allow the Secretary to waive the 8 person limit contained in the definition of Permanent Housing if the applicant demonstrates that (1) local market conditions and economies of scale dictate the development of a larger project and (2) such development will achieve the neighborhood integration objectives of the program within the context of that community.

This section will also clarify that, where units are to be added to an existing facility, existing units will not be counted for purposes of the limit if the facility meets the neighborhood integration objectives of the Permanent Housing program.

Section 403—Limit on advances

This section would give the Secretary the discretion to raise the Supportive Housing limit for acquisition and/or substantial rehabilitation from $200,000 to $400,000 where the Secretary determines that high acquisition and rehabilitation costs in a locality justify an increase.

Section 404—Site control

This section would prohibit the Secretary from requiring that applicants for Supportive Housing funds demonstrate site control as part of their applications and would, instead, allow HUD to use site control as a criterion for the evaluation of application.

Section 405—Letter of participation

This section would require the "State" rather than the Governor to (1) sign the letter of participation required for all Permanent Housing applications and (2) confirm the financial responsibility of project sponsors.

Section 406—Matching requirement

This section would require all Supportive Housing recipients to supplement any advances or grants for moderate rehabilitation with equal amounts of funds from non-federal sources. This section would provide that the definition of "funds from non-federal sources" includes (1) State or local agency funds, (2) the non-federal share of funds under other federal programs, (3) the value of any donated material or building and (4) the value of any lease on a building.

Section 407—Eligible activities for permanent housing

This section would clarify that recipients can receive both advances and grants for moderate rehabilitation under the Permanent Housing program. This section would also allow recipients to receive up to 60 percent of the annual payments for operating costs for the first year of operation and up to 25 percent of the operating costs for the second year of operation.

Section 408—Reallocation process

This section would establish a reallocation process for unobligated Supportive Housing funds. The section would direct that earmarked Supportive Housing funds that are not obligated by the

final funding round in any given fiscal year be reallocated for general use under either the Supportive Housing subtitle or the Section 8 Single Room Occupancy (SRO) subtitle.

TITLE V--MISCELLANEOUS PROVISIONS

Section 501—Rehabilitation of efficiency units

This section would allow recipients to rehabilitate zero bedroom units (efficiencies) if the recipient agrees to bear any additional costs associated with rehabilitating and operating efficiency units.

Section 502—Fire and safety improvements

This section would define the term "major spaces" as meaning the large common areas and hallways of an SRO facility and other areas required by local fire, building and safety codes.

Section 503—Report on allocation formulae

This section would direct the Secretary to conduct a study examining whether an allocation formula can be developed that uses homeless population as the statistical base.

Section 504—Rent control study

This section would require the Secretary to report to Congress on the impact of rent controls or rent regulations on the development, supply, availability and affordability of housing (including housing affordable to low-income families) in localities where such controls or regulations exist.

TITLE VI—TECHNICAL AMENDMENTS

Section 601—Tweemill House

This section would require HUD to process the application for the Tweemill House project in New York City without regard to certain rent and mortgage limits.

Section 602—Rural housing prepayment

Subsection (a) would direct the Secretary to issue regulations which establish criteria for selecting a qualified purchaser when more than one qualified purchaser makes a bona fide offer for a Section 515 project. The regulations would, at a minimum, be required to give priority to the qualified purchaser with the greatest experience in managing or developing low income housing and community development projects and with the longest record of service to the community.

Subsection (b) would amend the definition of the term "nonprofit organization" to prevent a nonprofit organization that makes an offer to purchase a Section 515 project from having among its officers or board of directors either (1) individuals or institutions with a material interest in the given project or (2) individuals or institutions that are related to individuals or institutions with a material interest in the given project.

Subsection (c) would provide a definition of the term "local nonprofit organization". The subsection would require a local nonprofit organization to (1) have a broad based directorate reflecting

various interests in the area and (2) be a not-for-profit charitable organization that has among its principal purposes the development or management of low-income housing or community development projects.

Section 603—Housing development grants

This section would provide a six month construction start extension for a HODAG project in Oswego, New York.

REGULATORY IMPACT STATEMENT

In accordance with paragraph 11 of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following statement regarding the regulatory impact of the bill.

Enactment of the reported measure would in the aggregate reduce regulatory and administrative burdens. The bill's amendments to existing law have the primary objective of making the homeless housing programs more straightforward at the federal level and more flexible and effective at the local level. Several amendments (e.g. making matching requirements consistent for the Supportive Housing programs, authorizing states and entitlement communities to evaluate compliance with certain requirements of the Emergency Shelter Grants Program) were designed either to streamline the application process or lessen regulatory oversight.

One amendment—the requirement that the Comprehensive Homeless Assistance Plans be submitted annually and contain responses to timely HUD recommendations—would minimally increase the administrative burden on states and entitlement communities. Yet that amendment was made necessary by the extension of the homeless housing programs. In addition, the benefits gained by more effective and consistent planning should far outweigh any additional administrative burdens.

CHANGES IN EXISTING LAW

The Committee has determined that is is necessary, in order to expedite the business of the Senate, to dispense with the requirements of Rule XXVI, paragraph 12, of the Standing Rules of the Senate, with respect to this legislation.

COST OF LEGISLATION

The Committee has requested a cost estimate of this legislation under the provision of Section 403 of the Congressional Budget Act of 1974. The cost of estimate of the Congressional Budget Office appears below:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 17, 1988.

Hon. WILLIAM V. PROXMIRE,
Chairman, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for the Homeless Assistance Amendments of 1988.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 2554.
2. Bill title: Homeless Assistance Amendments of 1988.
3. Bill status: As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs, May 24, 1988.
4. Bill purpose: The bill would authorize appropriations for fiscal years 1989 and 1990 for certain programs contained in title IV of the Stewart B. McKinney Homeless Assistance Act. Appropirations totaling $280 million for each year would be authorized. The bill would also require the Department of Housing and Urban Development (HUD) to conduct two research projects but would authorize no additional funding for this purpose.
5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993
Emergency shelter grants:					
Authorization level	120	120			
Estimated outlays	60	120	60		
Supportive housing demonstration:					
Authorization level	100	100			
Estimated outlays	2	36	50	32	32
Supplemental assistance:					
Authorization level	10	10			
Estimated outlays	3	7	7	3	
Section 8 assistance:					
Authorization level	50	50			
Estimated outlays	0	3	7	9	10
Total authorizations	280	280			
Total estimated outlays	65	166	124	44	42

The costs of this bill would fall within budget function 600.

Basis of Estimate.

Appropriation authorization: The outlays shown in the table above were estimated on the basis of experience with similar programs. The estimates assume that appropriations would be provided at the authorized levels and would be available to HUD by the beginning of the fiscal year.

Rent Control Study: Title V of the bill would require HUD to conduct a study of the effects of rent controls and regulations on the supply and affordability of housing in areas that have rent controls. The cost of such a study would depend on the amount of original research that would be undertaken. If nothing more were involved than the compilation and examination of existing data, the cost would likely be less than $100,000. If, however, the collection of large amounts of new data were required, the costs of the study would be substantially higher.

6. Estimated cost to State and local governments: State and local governments that receive emergency shelter grant assistance must provide matching assistance from other sources. This assistance may include the value of donated buildings, material, staff, salaries, and volunteer labor. Supportive housing grants must be matched with equal assistance from non-federal sources.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Brent Shipp.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

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